

Covered Electronic Waste Recycling Program – Fee Model and Analysis

The Electronic Waste Recycling Act of 2003 (Act) requires CalRecycle to review and to adjust, as necessary, the Covered Electronic Waste Recycling Fee (fee) that funds the covered electronic waste (CEW) recycling program provided for by the Act. The fee is paid by consumers at the time of retail purchase of a new covered electronic device (CED), and is remitted to the State via the Board of Equalization. CalRecycle must annually ensure that sufficient revenue is realized from the fee to make CEW recovery and recycling payments to approved CEW collectors and recyclers, as well as fund specific functions at State agencies (CalRecycle, Department of Toxic Substances Control, Board of Equalization, and State Controller's Office) that administer the Act.

Due to recent trends in the volume of CEW recovered, recycled, and claimed within the program, the Electronic Waste Recovery and Recycling Account (EWRRA) is facing a markedly different solvency challenge than it did in FY 2011/12. Today the future threat of exhaustion is real, and the EWRRA must eventually increase the reserves through increasing the fee levels. However, as this point, it appears that the fee levels may be able to maintain for one more year before requiring an increase. Note that decisions on any adjustment of the consumer fee must be made before August 1 of a given year to meet statutory deadlines, with changes to the fee levels taking effect on the following January 1.

The table presented on the following page models the fiscal effects of maintaining a \$5, \$6, and \$7 fee structure. The model assumes certain variables, most of which remain generally constant over time for the purpose of analysis. It is acknowledged that, while CalRecycle has some degree of control over certain of the assumed variables, such as the recovery and recycling payment rate that can be reset biennially, other variables can only be speculated. Furthermore, issues such as recovery and recycling payment rates are driven by statutory considerations to fulfill the Act and are not to be used to maintain a fund balance.

Variables assumed to remain constant include the projected volume of CED sales (approximately 16.3 million units annually – based on data reported along with most recent fee remittals from retailers) and the mix of screen-sizes that will be sold. Another potential variable in the model is the projected volume of CEW managed through the program (approximately 160 million pounds annually).

The model incorporates the CEW combined recovery and recycling payment rate of \$0.49 per pound as readopted by CalRecycle in June 2016. The model also presumes the goal of continued fund solvency assurance through FY 2017/18, while working toward maintaining a 5% prudent reserve provided for by statute (PRC 42464(f)(2)). It is expected that the recovery or recycling payment rates will change, however the degree of change is uncertain.

The model presumes a targeted average per CED unit revenue level that results in the described impacts on the condition of the EWRRA through FY 2018/19. (The average per CED unit revenue level has been approximately \$3.55 under the current \$5, \$6, and \$7 fee level and historical CED sales volume.)

The model presented in Table 1 shows that the \$5, \$6, and \$7 fee structure will keep the EWRRA fund reserve at an adequate level, while allowing for contingencies in the event of unexpected fiscal developments. The ability of CalRecycle to adjust the fee annually, as necessary, provides significant flexibility in fulfilling statutory obligations and ensuring program solvency by selecting fiscally prudent options in the near-term.

Proposed Maintenance to the Fee Structure

The following table presents the fiscal effect of maintaining the existing fee structure of \$5, \$6, and \$7. This model is intended to illustrate fund condition evolution under assumed program administration costs, General Fund loan repayments, CEW recovery and recycling volumes, new recycling payment rates, and CED sales. Initial fund conditions are aligned with fiscal data contained in the Governor’s Budget for FY 2017/18. The model assumes adherence to the existing three-tiered fee levels within established CED screen sizes categories (4” to <15”, 15” to <35”, and 35” or greater).

Fiscal Year	Devices Sold	Avg Fee Revenue per Device	Revenues	Recycling Payments	All Other Expenditures	General Fund Loan Repayments	Fund Balance at Year End
FY 2015/16	15,786	\$ 3.55	\$ 62,292	\$ (70,339)	\$ (22,878)	\$ 107,000	\$ 119,312
FY 2016/17	16,391	\$ 3.54	\$ 76,696	\$ (88,200)	\$ (24,956)	\$ -	\$ 83,147
FY 2017/18	16,391	\$ 4.68	\$ 94,693	\$ (88,200)	\$ (23,049)	\$ -	\$ 66,886
FY 2018/19	16,391	\$ 4.68	\$ 94,693	\$ (88,200)	\$ (21,497)	\$ -	\$ 52,177

*Note: Within the above **table**, all figures are presented in terms of thousands, except for amount of average revenue per device sold.*

Assumptions:

No Growth in Pounds of CEW Recovered / Recycled:	Volumes stay flat at approximately 180 million pounds per year
Number of Devices Sold to Remain Stable:	Approximately 16,391,000 per year (sales reported with recent fee remittals)
Targeted Average Revenue per Device:	\$ 4.68 (based on projected percentages sold per CED size category, less 3% retailer withhold)
Combined Recovery and Recycling Payment:	\$ 0.49 per pound